(B) the denominator is the total amount of charges for inpatient services in the same cost reporting period.

The numerator in clause (2)(A) shall not include contractual allowances and discounts other than for indigent patients not eligible for medical assistance under an approved Medicaid state plan.

(L) For purposes of eligibility, utilization rate and payment adjustment determinations for State fiscal years ending after June 30, 1997, "utilization and revenue data from the most recent year for which an audited cost report is on file" means utilization and revenue data from the most recent cost report which is on file for each individual provider as of June 30 of the state fiscal year immediately preceding the fiscal year for which the determination of eligibility or the calculation of rates or the calculation of payment adjustments is being made, and which has been audited prior to the date on which the determination or calculation is made.

(M) For purposes of calculating DSH eligibility, audited is defined as a targeted limited scope desk review where the data used for DSH calculation is thoroughly reviewed and adjusted where necessary.

(N) "Pool distribution amount adjustment factor" has the following meaning: the adjustment of the amount in the pool by a ratio, the numerator of which is the Medicaid payments for hospital inpatient services for the state's most recent fiscal year, and the denominator of which is the Medicaid payments for hospital inpatient services for the state's fiscal year preceding the state's most recent fiscal year.

III. PAYMENT ADJUSTMENTS

A. Basic Inpatient Disproportionate Share Payment Adjustment

Basic Disproportionate Share Hospitals shall receive, in addition to their allowable regular claims payments and any other payment adjustments to which they are entitled, a basic disproportionate share payment adjustment calculated in the following manner:

(1) For each of the state fiscal years ending after June 30, 1996 a pool not exceeding eight million dollars ($8,000,000), subject to adjustment each year by the pool distribution amount adjustment factor, shall be distributed to all acute care Basic DSH's licensed under IC 16-21 whose Medicaid inpatient utilization rates are at least one (1) standard deviation above the statewide mean Medicaid inpatient utilization rate for providers receiving Medicaid payments in Indiana. The funds in this pool must be distributed to qualifying hospitals in the proportion that the product of each of the qualifying hospitals' Medicaid inpatient utilization rates, multiplied by the number of discharges of Medicaid patients, bears to the total of those same factors for all hospitals in the pool as determined using data from the most recent year for which an audited cost report is on file with the office for each potentially eligible hospital.

(2) For each of the state fiscal years ending after June 30, 1994 a pool of zero dollars ($0) shall be distributed to all acute care Basic DSH's licensed under IC 16-21 whose low income utilization rates exceed twenty-five percent (25%). The funds in this pool must be distributed to qualifying hospitals in the proportion that each hospital's low income utilization rate bears to the total of the low income utilization rates of all hospitals in the pool.

FOOTNOTE: Acute care hospitals that qualify under the provisions of both III A (1) and III A (2) above shall receive payments as provided for in III A (1). Because no hospital qualifies based on III A (2) provisions alone, there are zero hospitals in pool 2. A new plan amendment will be submitted for any subsequent fiscal year when audited data on file with the office indicates one or more providers will qualify for payments from this pool.

(3) For the state fiscal year ending June 30, 1995, a pool of disproportionate share payments not exceeding four million dollars ($4,000,000), subject to adjustment each year by the pool distribution amount adjustment factor, shall be distributed to all private psychiatric hospitals licensed by the director of the state department of health to provide private institutional psychiatric care that qualify for basic disproportionate share under this Plan. The funds in the pool must be distributed to the qualifying institutions in proportion to each institution's Medicaid inpatient utilization rate, as that term is defined in this Plan, as determined using data from the most recent year for which an audited cost report is on file with the office for each potentially eligible hospital. For each of the state fiscal years ending after June 30, 1995, a pool not exceeding two million dollars ($2,000,000), subject to adjustment each year by the pool distribution amount adjustment factor, shall be distributed to all qualified private psychiatric Basic DSH's licensed by the director of the state department of health to provide private institutional psychiatric care, whose Medicaid inpatient utilization rates are at least one (1) standard deviation above the statewide mean Medicaid inpatient utilization rate for providers receiving Medicaid payments in Indiana and/or whose low income utilization rate exceeds twenty-five percent (25%). The funds in this pool must be distributed to the qualifying hospitals in the proportion that each qualifying hospital's Medicaid inpatient utilization rate bears to the total of the Medicaid inpatient utilization rates of all hospitals in the pool as determined based on data from the most recent year for which an audited cost report is are on file with the office for each potentially eligible hospital. In no instance will any hospital in this pool be entitled to disproportionate share amounts that when added to the hospital's other Medicaid payments yield a combined total reimbursement that exceeds 100% of the hospital's allowable cost of delivering Medicaid and uninsured care. DSH payments that are retrospectively determined to exceed this cap of 100% of allowable cost shall be recovered with interest by the OMPP.

(4) For each state fiscal year ending on or after June 30, 1995, a pool not exceeding one hundred ninety-one million dollars ($191,000,000), subject to adjustment each year by the pool distribution amount adjustment factor, shall be distributed to all state mental health Basic DSH's whose Medicaid inpatient utilization rates are at least one (1) standard deviation above the statewide mean Medicaid inpatient utilization rate for providers receiving Medicaid payments in Indiana or whose low income utilization rate exceeds twenty-five percent (25%). The funds in this pool must be distributed to the qualifying hospitals in

the proportion that each hospital's low income utilization rate, multiplied by total Medicaid days, bears to the product of the same factors of all hospitals in the pool using data from the most recent year for which an audited cost report is on file with the office for each potentially eligible hospital.

(5) For each of the state fiscal years ending after June 30, 1994 a pool not exceeding eighteen million dollars ($18,000,000), subject to adjustment each year by the pool distribution amount adjustment factor, shall be distributed to all acute care Basic DSH's licensed by the director of the state department of health whose Medicaid inpatient days are equal to or greater than twenty thousand (20,000) days per year. The funds in this pool must be distributed to qualifying hospitals in the proportion that each qualifying hospital's Medicaid inpatient utilization rate, multiplied by total Medicaid days, bears to the total of these same factors for all qualifying hospitals in the pool using data from the most recent year for which an audited cost report is on file with the office for each potentially eligible hospital. Hospitals receiving payments from this pool will do so in lieu of participation in or receiving payments from III A (1) or III A (2) described earlier in this payment adjustment section of the plan.

Disproportionate share payments described in this section shall be made on an interim basis throughout the year as determined by OMPP. **Note: Where pool distribution includes a Medicaid inpatient utilization rate factor, this factor for distribution purposes includes hospital care for the indigent days.**

For state fiscal years ending after June 30, 1995, the distribution amount in the individual pools shall be adjusted by a ratio, the numerator of which is the Medicaid payments for hospital inpatient services for the state's most recent fiscal year, and the denominator of which is the Medicaid payments for hospital inpatient services for the state's fiscal year preceding the state's most recent fiscal year.

B. Enhanced Disproportionate Share Payment Adjustments for the State Fiscal Year ending June 30, 1997

For the state fiscal year ending June 30, 1997, the OMPP will make enhanced disproportionate share payments to qualifying enhanced disproportionate share hospitals as follows:

(1) For hospitals that have a Medicaid inpatient utilization rate of 15% or less and less than twenty-five thousand (25,000) total adult and pediatric days of Medicaid care, based on utilization data for the hospital's cost reporting period ending during calendar year 1991:

(a) one hundred sixty-three dollars ($163) for each Medicaid inpatient day; and

(b) one thousand one hundred eleven dollars ($1,111) for each Medicaid discharge.

(2) For hospitals that have a Medicaid inpatient utilization rate of greater than fifteen percent (15%) and less than twenty thousand (20,000) total adult and pediatric Medicaid days, based on data for the hospital's cost reporting period ending during calendar year 1991:

(a) two hundred fifteen dollars ($215) for each Medicaid inpatient day; and

(b) one thousand one hundred thirty-two dollars ($1,132) for each Medicaid discharge.

(3) For hospitals with a Medicaid inpatient utilization rate of greater than twenty percent (20%) and less than twenty-five thousand (25,000) total adult and pediatric Medicaid days, based on data for the hospital's cost reporting period ending during calendar year 1991:

(a) two hundred forty-one dollars ($241) for each Medicaid inpatient day; and

(b) one thousand one hundred thirty-three dollars ($1,133) for each Medicaid discharge.

(4) For hospitals with less than four thousand (4,000) Medicaid discharges and with at least twenty-five thousand (25,000) total adult and pediatric Medicaid days, based on data for the hospital's cost reporting period ending during calendar year 1991:

(a) two hundred forty-six dollars ($246) for each Medicaid inpatient day; and

(b) two thousand four hundred sixty-five dollars ($2,465) for each Medicaid discharge.

(5) For hospitals with less than four thousand (4,000) Medicaid discharges and at least twenty-five thousand (25,000) total adult and pediatric Medicaid days, based on data for the hospital's cost reporting period ending during calendar year 1991:

(a) five hundred twenty-five dollars ($525) for each Medicaid inpatient day; and

(b) three thousand seven hundred sixty-five dollars ($3,765) for each Medicaid discharge.

The OMPP may, however, adjust the enhanced disproportionate share payment specified above as provided for in 42 CFR 447.297(d)(3), that allows the state to make additional enhanced disproportionate share expenditures after the end of each federal fiscal year that relate back to the prior federal fiscal year. Each eligible hospital may receive an additional enhanced disproportionate share adjustment based on utilization data from the hospital's cost reporting period that ended during calendar year 1991, if intergovernmental transfer funding is made available and the aggregate or hospital specific payments made do not exceed:

(a) Indiana's state disproportionate share payment cap, and/or

(b) any hospital's hospital-specific (OBRA '93) DSH payment limit, computed using data provided by each hospital for the most recent hospital fiscal year, ending during SFY 1997 (or in cases where a change in fiscal year causes the most recent fiscal period of the hospital to be less than twelve (12) months, twelve (12) months of data ending at the end of the most recent SFY). Each hospital's "hospital-specific (OBRA '93) DSH payment limit" is the sum of all costs for services provided to uninsured patients, less any cash payments made by them, and all costs for services provided to Medicaid patients, less the amount paid by the State under the non-DSH payment provisions of the State Plan.

C. Enhanced Disproportionate Share Payment Adjustments for State Fiscal Years ending on or after June 30, 1998.

For state fiscal years ending on or after June 30, 1998, OMPP will make enhanced disproportionate share payments to qualifying enhanced disproportionate share hospitals as follows:

A pool not exceeding Two Hundred Ninety-Seven Million Dollars ($297,000,000) shall be distributed to each qualifying hospital in proportion to each qualifying hospital's percentage of the total net hospital specific limits of all qualifying hospitals. Each qualifying hospital's net hospital specific limit is determined by subtracting basic disproportionate share payments the hospital is eligible to receive under Section III.A. of this Plan and intergovernmental transfers paid by or on behalf of the hospital from the hospital's hospital specific limit. Each hospital's "hospital specific limit" is the sum of all costs for services provided to uninsured patients, less any cash payments made by them, and all costs for services provided to Medicaid patients, less the amount paid by the State under the non-DSH payment provisions of the State Plan.

The OMPP may, however, adjust the enhanced disproportionate share payment specified above as provided for in 42 CFR 447.297(d)(3), allowing the state to make additional enhanced disproportionate share expenditures after the end of each federal fiscal year that relate back to the prior federal fiscal year. Each eligible hospital may receive an additional enhanced disproportionate share payment adjustment, if:

(1) additional intergovernmental transfers are made as authorized under IC 12-15-18-5.1; and

(2) The total disproportionate share payments to each individual hospital, and all qualifying hospitals in the aggregate, do not exceed the limits provided by federal law and regulation.

IC 12-15-18-5.1 authorizes the trustees of Indiana University and each municipal health and hospital corporation established under state law to transfer amounts, determined jointly by OMPP and the trustees and OMPP and each municipal health and hospital corporation, to the Medicaid indigent care trust fund.

D. Municipal Disproportionate Share Payment Adjustments.

For each state fiscal year ending on or after June 30, 1998, OMPP will make municipal disproportionate share payments to qualifying municipal disproportionate share hospitals as follows:

A pool not exceeding the sum of the hospital specific limits for all qualifying hospitals shall be distributed to each qualifying hospital in an amount which, when combined with basic DSH payment and enhanced DSH payment received by the hospital for the same fiscal year, equals to the extent possible, but in no case exceeds, the hospital's hospital-specific limit provided under 42 U.S.C. 1396r-4(g). Each hospital's "hospital specific limit" is the sum of all costs for services provided to uninsured patients, less any cash payments made by them, and all costs for services provided to Medicaid patients, less the amount paid by the State under the non-DSH payment provisions of the State Plan.

The OMPP may, however, adjust the municipal disproportionate share payment specified above as provided for in 42 CFR 447.297(d)(3), allowing the state to make additional municipal disproportionate share expenditures after the end of each federal fiscal year that relate back to the prior federal fiscal year. Each eligible hospital may receive an additional municipal disproportionate share payment adjustment, if:

(1) additional intergovernmental transfers are made as authorized under IC 12-15-18-5.1; and

(2) The total disproportionate share payments to each individual hospital, and all qualifying hospitals in the aggregate, do not exceed the limits provided by federal law and regulation.

IC 12-15-18-5.1 authorizes the trustees of Indiana University and each municipal health and hospital corporation established under state law to transfer amounts, determined jointly by OMPP and the trustees and OMPP and each municipal health and hospital corporation, to the Medicaid indigent care trust fund.

E. Community Mental Health Center Disproportionate Share Payment Adjustments.

For each state fiscal year ending after June 30, 1997, OMPP will make community mental health center disproportionate share payments to qualifying community mental health centers as follows:

Each qualifying community mental health center shall receive an amount determined by subtracting the amount paid to the community mental health center during the state fiscal year by the county treasurer of the county in which the community mental health center is located, as authorized by the county executive and appropriated by the county fiscal body, or funds received by the community

mental health center from other county sources, from an amount consisting of the foregoing amount divided by the state medical assistance percentage applicable to the state fiscal year.

The OMPP may, however, adjust the community mental health center disproportionate share payment specified above as provided for in 42 CFR 447.297(d)(3), allowing the state to make additional community mental health center disproportionate share expenditures after the end of each federal fiscal year that relate back to the prior federal fiscal year. Each eligible community mental health center may receive an additional community mental health center disproportionate share payment adjustment, if:

(1) additional transfers are made by one or more county treasurers pursuant to a request by the county executive, and an appropriation by the county fiscal body, or from other county sources, which treasurer or treasurers certify that the payments represent expenditures eligible for financial participation under 42 U.S.C. 1396b(w)(6)(A) and 42 CFR 433.51;

(2) the total disproportionate share payments to each individual community mental health center do not exceed the institution specific limit provided under 42 U.S.C. 1396r-4(g); and

(3) the total disproportionate share payments to community mental health centers do not result in total disproportionate share payments in excess of the state limit on such expenditures for institutions for mental diseases under 42 U.S.C. 1396r-4(h).

The office shall assist a county treasurer in making the certification described in III.E.(1), above.

The institution specific limit for a state fiscal year shall be determined by the office taking into account data provided by the community mental health center for the community mental health center's most recent fiscal year or, if a change in fiscal year causes the most recent fiscal period to be less than twelve (12) months, twelve (12) months of data compiled to the end of the most recent state fiscal year, as certified to the office by an independent certified public accounting firm.

The office may reduce, on a pro rata basis, payments due to community mental health centers under this section for a fiscal year if necessary to avoid exceeding the state limit on disproportionate share expenditures for institutions for mental diseases. Further, a payment under this provision may be recovered by the office from the community mental health center if federal financial participation is disallowed for the funds certified under IC 12-29-1-7(b) upon which such payment was based.

F. Hospital Specific Limit on Disproportionate Share Payments

Total Medicaid HCI add-on, basic, enhanced, community mental health center and municipal disproportionate share payments to a provider shall not exceed the hospital specific limit provided under 42 U.S.C. 1396r-4(g). The hospital specific limit for a state fiscal year shall be determined by the office taking into account data provided by each hospital for the hospital's most recent year or, if a change in fiscal year causes the most recent fiscal period to be less than twelve (12) months, twelve (12) months of data ending at the end of the most recent state fiscal year, as certified to the office by an independent certified public accounting firm. Each hospital's "hospital specific limit" is the sum of all costs for services provided to uninsured patients, less any cash payments made by them, and all costs for services provided to Medicaid patients, less the amount paid by the State under the non-DSH payment provisions of the State Plan.

Total payments to a provider under this Plan, including community mental health center disproportionate share payments to a community mental health center provider, shall not exceed the provider's institution specific limit. For this purpose, each community mental health center's "institution specific limit" is the sum of all costs for services provided to uninsured patients, less any cash payments made by them, and all costs for services provided to Medicaid patients, less the amount paid by the State under the non-DSH payment provisions of the State Plan.

G. State Limit on Disproportionate Share Payments

If the state exceeds the state disproportionate share allocation (as defined in 42 U.S.C. 1396r-4(f)(2)) or the state limit on disproportionate share expenditures for institutions for mental diseases (as defined in 42 U.S.C. 1396r-4(h)), the state shall pay providers as follows:

(1) The state shall make basic disproportionate share provider payments under I.C. 12-15-16-1(a) until the state exceeds the state disproportionate share allocation.

(2) After the state makes all payments under subdivision (1), if the state fails to exceed the state disproportionate share allocation, the state shall make enhanced disproportionate share provider payments under I.C. 12-15-16-1(b).

(3) After the state makes all payments under subdivision (2), if the state fails to exceed the state disproportionate share allocation, the state shall make municipal disproportionate share provider payments under I.C. 12-15-16-1(c).

(4) After the state makes all payments under subdivision (3), if the state fails to exceed the state disproportionate share allocation, the state shall make community mental health center disproportionate share provider payments under I.C. 12-15-16-1(d).

IV. DISPROPORTIONATE SHARE PAYMENT EXAMPLES

To illustrate the payment methodology proposed by TN 98-011 for disproportionate share payments, the following examples are displayed within this plan.

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Example 1--Provider is an acute care hospital that qualifies as a basic disproportionate share provider--(Basic DSH payment calculation only)

Facts------ Hospital's Medicaid inpatient utilization rate = 28% and exceeds one standard deviation from the statewide mean Medicaid IUR which is 15%.

Hospital is determined to be a basic disproportionate share acute care hospital that qualifies to participate in Pool (1) as described at III A (1) of this plan.

The hospital's Medicaid inpatient utilization rate of 28.0% times its 800 Medicaid discharges yields a distribution factor of 22,400. The sum total of the distribution factors of all hospitals participating in Pool (1) is 224,000. This hospital's distribution is 10% of Pool (1) available money.

Pool (1) contains $8,000,000 for distribution on 6-30-97. This hospital's DSH payment on 6-30-97 is 10% of $8,000,000 or.....**$ 800,000**

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Example 2--Provider is a state mental health institution (state psychiatric hospital) that qualifies for basic DSH payments (Basic DSH calculation only, for SFYE 6-97)

Facts------ Hospital's low-income utilization rate = 40%. The provider meets the definition found at II(B) of the plan, and qualifies to participate in DSH basic pool (4) as described at Section III A (4) of this plan.

This pool had $191,000,000 available for distribution in the SFYE 6-95 and was adjusted for SFYE 6-96 by a ratio as provided for on page 7 of this plan resulting in a reduction of 5% of the 1995 pool amount to a new pool amount of $181,450,000 for FYE 6-96. This pool was again adjusted for SFYE 6-97 as provided for on page 7 of the plan by an increase of 12% from the SFY 6-96 base to $203,224,000 (181,450,000 x 112%).

The hospital's total inpatient days equal 1,000. The distribution factor is the low income utilization rate times the total inpatient days. (40 x 1000) = 40,000.

All qualifying hospital in the pool have a sum total distribution factor of 400,000. This hospital's percentage of the total distribution is 40,000/400,000 or 10%.

This hospital's distribution for basic DSH for SFYE 6-97 is set at $20,322,400. (203,224,000 x 10%).

The hospital has been determined to have a Medicaid shortfall and uncompensated charity care total, for the hospital's fiscal year ending in SFY 1997, of $13,400,000. The OBRA '93 hospital specific DSH limit for '97 is set at $13,400,000 (100% of the determined total).

The hospital receives **$13,400,000** rather than $20,322,400 based on the OBRA '93 DSH limit.

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The enhanced disproportionate share payment adjustments are based on Medicaid utilization (Medicaid days and/or Medicaid discharges) and recognize operations that have been shown to bear a reasonable relationship to higher costs associated with excessive low-income, high-cost indigent care and Medicaid populations. Based on payment formulas and criteria established in state plan amendment TN 98-011, the following example illustrates in summary the payment calculation for a year of activity for a hospital that qualifies for enhanced disproportionate share payments.